

## Message Text

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67

ACTION EUR-25

INFO OCT-01 ADP-00 CIAE-00 DODE-00 PM-09 H-02 INR-09 L-03

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RSR-01 /123 W

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R 152240 Z MAR 73

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 672

UNCLAS OTTAWA 0616

E. O. 11652: N/A

TAGS: ETRN, CA

SUBJ: OPERATING SUBSIDIES TO GREAT LAKES BULK CARRIERS

1. ON MARCH 15 WE RECEIVED NOTE FROM EXTAFF INFORMING US  
MINISTER OF TRANSPORT MARCHAND WILL TABLE IN HOUSE OF  
COMMONS MARCH 16 NEW DARLING REPORT ON CONSEQUENCES FOR  
CANADIAN LAKE SHIPPING INDUSTRY OF PAYMENT OF OPERATING  
SUBSIDIES TO US SHIPS IN BULK TRADES IN GREAT LAKES.  
COPY OF REPORT WILL BE FURNISHED DEPT BY CANADIAN  
EMBASSY WASHINGTON. WE HAVE NOT RPT NOT HAD TIME TO EXAMINE  
REPORT BUT ITS PRINCIPAL RECOMMENDATION APPEARS TO BE  
THAT CANADA SHOULD OPPOSE IN PRINCIPLE PAYMENT OF OPERATING  
SUBSIDIES ON TRANSBORDER TRAFFIC OF WHATEVER MODE AND,  
IN PARTICULAR, SUBSIDIZATION OF CAPTIVE TRAFFIC IN CAPTIVE  
FLEETS THROUGH TYING UP TRAFFIC BY MEANS OF LONG TERM  
SUBSIDY CONTRACTS. EXTAFF OFFICIAL PREDICTED REPORT WOULD  
RESULT IN SPATE OF QUESTIONS IN HOUSE ON WHAT GOVERNMENT  
INTENDS TO DO ABOUT RECOMMENDATIONS OF REPORT. EXTAFF  
OFFICIAL SAID OFFICIAL POSITION AT PRESENT IS SIMPLY  
TO EXPRESS CONCERN AND STUDY MATTER FURTHER AS INDICATED  
IN PRESS RELEASE ( DATED MARCH 16) WHICH FOLLOWS ( UNNECESSARY  
WORDS OMITTED:

QUOTE. REPORT ON CONSEQUENCES OF US OPERATING SUBSIDIES  
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PAID TO AMERICAN SHIPS IN CANADIAN- US BULK TRADES ON GREAT LAKES, WAS TABLED IN HOUSE OF COMMONS TODAY BY TRANSPORT MINISTER JEAN MARCHAND. REPORT WAS PREPARED BY TRANSPORTATION ECONOMIST H. J. DARLING AT REQUEST OF CANADIAN TRANSPORT COMMISSION.

REPORT RESULTS FROM PASSAGE OF UNITED STATES MERCHANT MARINE ACT OF 1970 AND REPRESENTATIONS OF CANADIAN GREAT LAKES SHIPPING INDUSTRY ON EFFECTS OF ACT ON CANADIAN GREAT LAKES FLEET.

IN BRIEF, US LEGISLATION MAKES OPERATING SUBSIDIES AVAILABLE FOR FIRST TIME TO OPERATORS OF US OCEAN- GOING BULK CARRIERS. FURTHER, BY DECLARING US GREAT LAKES TO BE FOURTH SEA COAST OF UNITED STATES, LEGISLATION MAKES SUCH SUBSIDIES AVAILABLE TO OPERATORS OF US- FLAG GREAT LAKES BULK CARRIERS. THIS ENABLES SUCH CARRIERS TO COMPETE ON POTENTIALLY MORE FAVORABLE BASIS WITH CANADIAN CARRIERS IN TRANS- BORDER BULK TRADES. SOME SUBSIDIES TO US GREAT LAKES SHIP OPERATORS HAVE ALREADY BEEN APPROVED.

REPORT EXAMINES POSSIBLE EFFECT OF NEW POLICY AND MAKES CERTAIN RECOMMENDATIONS. IT IS GOVERNMENT'S INTENTION TO STUDY MATTER FURTHER IN LIGHT OF REPORT'S RECOMMENDATIONS. END QUOTE.

JOHNSON

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\*\*\* Current Classification \*\*\* UNCLASSIFIED

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